

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 H-01 /057 W

-----064181 110755Z /20

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FM AMCONSUL JOHANNESBURG

TO SECSTATE WASHDC 7374

INFO AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMEMBASSY PRETORIA

LIMITED OFFICIAL USE SECTION 1 OF 2 JOHANNESBURG 0620

CAPE TOWN FOR EMBASSY

E.O. 11652: N/A

TAGS: ELAB, EIND, SF, US

SUBJECT: ERRORS IN CLARK REPORT

REF: JOHANNESBURG 550

1. SUMMARY: SEVERAL US COMPANIES HAVE OBJECTED TO THE CON GEN AND RLO THAT THEY ARE INCORRECTLY LISTED IN THE CLARK REPORT AS PAYING MINIMUM WAGES BASED ON LOWER STANDARDS WHICH "MAY NOT ADEQUATELY SUPPORT A HOUSEHOLD" WHEN, IN FACT, THEY ARE UTILIZING THE HIGHEST OF THE STANDARDS MENTIONED IN THE SUBJECT REPORT. THE GOAL OF ENCOURAGING EVOLUTIONARY CHANGE IN SOUTH AFRICA IS NOT STRENGTHENED IF SUCH COMPANIES ARE INCORRECTLY LABELLED. END SUMMARY.

2. AS INDICATED IN PARA NINE OF JOHANNESBURG 550, SEVERAL US COMPANIES HAVE OBJECTED DURING THE COURSE OF THE POST'S CURRENT EMPLOYMENT PRACTICES SURVEY TO THE MISINTERPRETATION IN THE CLARK REPORT ON US CORPORATE INTERESTS IN

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AFRICA OF WAGE DATA SUPPLIED BY THEM TO THE SENATE SUBCOMMITTEE.

3. FOLLOWING A DISCUSSION OF VARIOUS COST OF LIVING SURVEYS USED TO DETERMINE BLACK PAY SCALES, THE REPORT STATES ON PAGE 109 "THERE ARE AMERICAN FIRMS IN SOUTH AFRICA WHICH PAY NON-WHITES ACCORDING TO THE OTHER,

CONSIDERABLY LOWER STANDARDS. THUS WAGES PAID BY (THESE) FIRMS MAY COVER ONLY THOSE EXPENSES NECESSARY FOR BASIC SURVIVAL." THE FIRMS LISTED INCLUDE, INTER ALIA, COLGATE-PALMOLIVE AND GILLETTE.

4. WITH REGARD TO ITS WAGE DETERMINATION POLICY, COLGATE STATES IN ITS REPLY TO THE POST'S, QUESTIONNAIRE QUOTE: ALL FACTORY WAGES ARE DETERMINED ON A NON-DISCRIMINATORY BASIS BY JOB EVALUATION USING A FACTOR COMPARISON SYSTEM. MINIMUM RATES OF PAY ARE CALCULATED AT A LEVEL WHICH IS AT LEAST 50 PERCENT ABOVE THE JOHANNESBURG CHAMBER OF COMMERCE POVERTY DATUM LINE CALCULATION FOR A FAMILY OF FIVE RESIDENT IN SOWETO, WITH ONLY ONE WAGE EARNER, (ALTHOUGH IN MANY CASES RECIPIENT FAMILIES HAVE TWO WAGE EARNERS AND VERY MANY MORE EMPLOYEES ARE UNMARRIED WITH NO DEPENDENTS). MINIMUM RATES OF PAY ARE REVIEWED IN APRIL OF EACH YEAR BASED ON 50 PERCENT ABOVE THE JOHANNESBURG CHAMBER OF COMMERCE POVERTY DATUM LINE CALCULATION FOR A FAMILY OF FIVE WITH ONE WAGE EARNER LIVING IN SOWETO, APPLICABLE TO JANUARY CALCULATION OF THAT YEAR. ALL OTHER WAGE RATES FOR HIGHER GRADE HOURLY-PAID WORKERS ARE ADJUSTED UPWARD IN APRIL OF EACH YEAR TO MAINTAIN WAGE DIFFERENTIAL AS FIXED BY JOB EVALUATION. END QUOTE.

5. SIMILARLY, GILLETTE SAYS QUOTE: BECAUSE OF OUR CONCERN CONCERNING THE PAYMENT OF AN ADEQUATE OR FAIR (THESE WORDS LIMITED OFFICIAL USE

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ARE USED LOOSELY AND ARE NOT INTENDED TO BE INTERPRETED TO CONVEY ANY ABSOLUTE ECONOMIC OR MORAL STANDARD) WAGE TO NON-WHITE EMPLOYEES AND BECAUSE WE ARE AWARE OF THE FACT THAT MANY, PROBABLY MOST, SOUTH AFRICAN FIRMS PAY MINIMUM WAGES THAT DO NOT MEET THAT CRITERION, WE DECIDED NOT TO SURVEY NON-WHITE WAGES, BUT DECIDED TO APPLY A "MINIMUM WAGE" APPROACH BASED UPON A RELIABLE INDEX. OUR METHOD OF CALCULATING THE MINIMUM WAGE IN OUR COMPANY HAS BEEN FOR SOME YEARS TO ESTABLISH THE POVERTY DATUM LINE THROUGH THE JOHANNESBURG CHAMBER OF COMMERCE WHO PUBLISH SIX-MONTHLY FIGURES, TO ADJUST THAT FIGURE IN RESPECT OF RENT AND TRANSPORT TO REFLECT CONDITIONS IN SPRINGS, AND THEN TO ADD FIFTY PERCENT TO THE FIGURE TO REACH THE SO-CALLED MINIMUM EFFECTIVE LEVEL. WE THEN PAY THIS FIGURE AS A MINIMUM ANNUAL WAGE, INCLUDING BONUS, TO ALL CATEGORY ONE EMPLOYEES. END QUOTE. IN FACT, COLGATE HAS ONLY SEVEN OF ITS 144 BLACK EMPLOYEES AT THIS LOWEST PAY SCALE OF 186 RAND PER MONTH. OTHER RANGE UP TO 592 RAND PER MONTH.

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ACTION AF-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
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RUEHS
/AMEMBASSY PRETORIA 4790

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CAPE TOWN FOR EMBASSY

6. TO SUBSTANTIATE FURTHER ITS COMPLAINT, COLGATE PREPARED TWO CHARTS. ONE COMPARES THE UNIVERSITY OF SOUTH AFRICA, UNIVERSITY OF PORT ELIZABETH AND JOHANNESBURG CHAMBER OF COMMERCE COST OF LIVING SURVEYS WITH COLGATE'S MINIMUM WAGES SINCE 1972. IT DEMONSTRATES THAT THE SURVEY RELIED UPON BY COLGATE IN DETERMINING ITS MINIMUM WAGES, THE JOHANNESBURG CHAMBER OF COMMERCE'S MINIMUM EFFECTIVE LEVEL HAS ALWAYS BEEN AHEAD OF THE UNISA SUPPLEMENTAL LIVING LEVEL AND THE UPE HOUSEHOLD EFFECTIVE LEVEL. THE OTHER CHART DEMONSTRATES THAT ALL WAGES PAID BY COLGATE SINCE 1975 HAVE EQUALLED OR EXCEEDED THE JCCM MEL. COPIES OF THE TWO CHARTS ARE BEING POUCHED TO THE DEPARTMENT IN CARE OF AF/S EATON.

7. COMMENT: MANY OF THE COMPANIES LISTED ON PAGE 109 OF THE CLARK REPORT ARE AMONG THE MORE ENLIGHTENED US EMPLOYERS IN SOUTH AFRICA. SOME SUCH AS COLGATE WHICH HAS BEEN ONE OF THE MOST CONSCIENTIOUS IMPLEMENTERS
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OF THE SULLIVAN CODE, ARE UNDER STANDING INSTRUCTIONS FROM US CORPORATE HEADQUARTERS "NOT TO REPORT BACK HAPPINESS

STORIES" BUT TO SEARCH FOR WAYS IN WHICH NON-WHITE EMPLOYMENT PRACTICES CAN BE FURTHER IMPROVED. EFFORTS TO ENCOURAGE EVOLUTIONARY CHANGE IN SOUTH AFRICA THROUGH SUCH IMPROVED EMPLOYMENT PRACTICES ARE OBVIOUSLY NOT FURTHERED IF COMPANIES WHICH COOPERATE IN THIS PROGRAM ARE UNJUSTLY LABELLED AS POOR PERFORMERS.

8. ACTION: UPON RECEIPT OF THE CHARTS PREPARED BY COLGATE, THE DEPARTMENT MAY WISH TO DISCUSS THIS PROBLEM WITH THE STAFF OF THE SUBCOMMITTEE ON AFRICAN AFFAIRS.
JOHNSON

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